

Opening Statement
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Committee on Financial Services

**Subcommittee on Domestic and International Monetary Policy,
Trade, and Technology**

**“HIPC Debt Relief: Which Way Forward?”
April 20, 2004**

Good morning. I would like to thank the Gentlewoman from Illinois for chairing this hearing on an issue of importance to the global community.

Last year, Ranking Member Frank and I requested that the General Accounting Office (GAO) analyze financing issues associated with the initiative led by President Bush at the Group of Eight level to enhance debt relief for the most indebted countries in the world. We also asked the GAO to identify options for providing additional relief to help countries achieve debt targets, debt sustainability, and lower debt service burdens. Providing humanitarian relief to the world's poorest nations is a duty of the United States and developed nations around the globe. The question is not whether to provide humanitarian aid, but how to use the taxpayers' money most effectively in our quest to lift these nations from the depths of poverty.

I look forward to receiving GAO's testimony this afternoon as well as the reaction to the report from two leading organizations: DATA and the Catholic Conference.

The HIPC initiative has already had a positive impact on the lives of real people around the world. Our witnesses will provide some details on how funds within HIPC countries have been reallocated away from debt service and towards funding education and inoculation programs. I also understand that the process within HIPC countries for identifying how these funds should be allocated is strengthening democracy and civil society participation in government decision-making. While there is a long way to go in many of these countries towards full democracy, these are encouraging first steps.

However, HIPC debt relief is a limited tool. It seeks merely to decrease debt service burdens for the poorest countries on the planet. It identifies as goals, but not commitments, broader ideals such as reducing poverty and increasing export earnings within these countries. Today's GAO report is controversial because it attempts to estimate the costs that could be associated with achieving these broader goals.

The estimates in this report are sobering. GAO estimates that the cost of achieving both debt relief and economic growth targets in HIPC countries could be at least \$375 billion between now and 2020 in present value terms. Even if the U.S. portion of this amount is as small as 20 percent, this is still a serious amount of money that will cause policymakers to consider carefully and strategically development assistance strategies.

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I welcome this report because it will require policymakers and development experts alike to devote renewed attention to distinguishing debt relief from development assistance. It also identifies the possible cost of continuing to do business as usual in the multilateral development banks. By assuming that business practices in the banks do not change and by assuming that export growth in HIPC countries will not be materially enhanced in the future, the GAO report shines a spotlight on the need for donor countries, development banks, and HIPC countries to renew efforts to find new ways of delivering development assistance so that in the future poor countries do not amass crushing debt burdens.

I am encouraged that the World Bank is already thinking in these terms. In a February 2004 report on "Debt Sustainability in Low-Income Countries" it explores the possibility of countries using market mechanisms such as derivatives markets to hedge their exposure to commodity market volatility. It is actively considering a new framework for lending to low-income countries that would limit the amount of debt a country could acquire. These are encouraging developments.

As we discuss HIPC countries' need to expand and diversify their export sectors, I would also like to underscore the importance of reviving the Doha round of trade talks. Reduced trade barriers will provide all countries with opportunities for growth and development.

I look forward to today's testimony and continued efforts to enhance the effectiveness of international development assistance.

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